



City Council April 14, 2020

*Direction to develop balanced Budget and Adoption of
Voluntary Early Separation Incentive Program*

Impacts of COVID-19

Social Distancing

- Slow the Spread
- State-by-State Phased Reopening
- Vaccine

Economic

- Basic Community Needs
- Business Uncertainty
- Bond Market Uncertainty

Fiscal

- Shut down through June 30:
 - \$72 million shortfall this fiscal year
- Next two fiscal years:
 - 20/21 \$154 million shortfall
 - 21/22 \$72 million shortfall

Philosophy for Restructuring the City Government to Respond to COVID-19 Public Health Emergency

- Preserve essential public health and safety functions to deal with the ongoing and future impacts of the public health emergency
- Create long-term fiscal and community sustainability that preserves institutional knowledge to the extent possible that aligns available community-centered resources with city's values and in particular social justice, understanding that some programs cannot continue or must be significantly altered in order to maintain public health and safety and to live within our means
- Prioritize efforts that encourage business retention, rebuild the economic and social health and resilience of the community, make the community more economically competitive and restructure revenue-producing programs to sustainable levels
- Recognize that even important priorities must be postponed and as economy improves, we can expand and rebuild our efforts to address them in the future
- Pursue realignment by making reductions across the entire organization including executives, managers, supervisors, and front-line staff

Updated Forecast

- Assuming some form of closure through June 30, 2020
- General Fund:
 - TOT down 60%
 - Sales Tax down 30%
 - Parking, Fees & Charges down 50%
 - UUT impacted by business closures, suspension of late fee penalties
 - Other taxes (Business License, Property) would see later, longer impacts
 - PERS contributions up in future due to investment losses
 - Bonding market is unknown
- BBB Fund:
 - Ridership revenue down, shifts in funding sources
- Other Funds:
 - Revenue decreases due to business closures, loss of visitors and parking revenue

Economic Impact of COVID-19

General Fund

This fiscal year (ending June 30):

- \$72 million shortfall this fiscal year

Next two fiscal years:

- 20/21 \$154 million shortfall
- 21/22 \$72 million shortfall

2020/21 Financial Impacts due to COVID-19

Projected General Fund budget gap = \$226 mil over two years mil (\$154 mil in FY 2020/21)

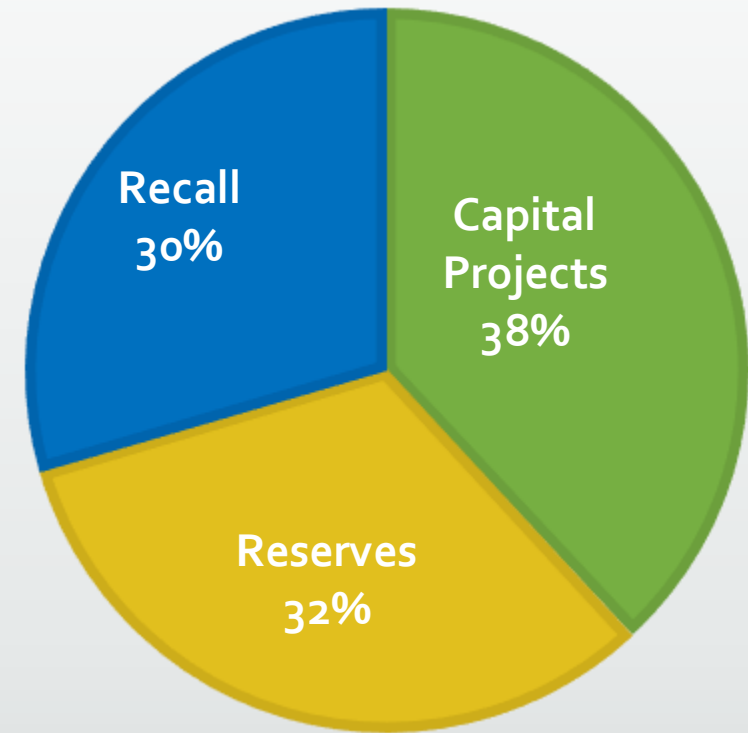
One-time resources = \$106 mil

Potential Operations Restructuring/Other Sources = approximately \$120 mil

Closing the Gap – General Fund

One-time resources over 2 years = \$106 mil

- Delay, reduce, cancel capital projects \$40.4 mil
 - Current: \$25.4 mil
 - Next Year: \$15.0 mil
- Access Reserves \$34.2 mil
 - Economic Uncertainty Fund: \$9.7 mil
 - Rainy Day Funds: \$18 mil
 - Other reserves: \$6.5 mil
- Recall funds transferred to other Funds \$31 mil
 - Settlement Funds from Water Fund: \$24 mil
 - Measure GS Funds from Affordable Housing: \$7.2 mil



Financial Impacts General Fund Operations

Financial Impacts of COVID-19



Potential sources for closing the gap:

- Federal/State funding
- Capital project bonding
- Asset sales
- Exhaustion of reserves
- Expense savings from pay and benefit reductions (to be negotiated)

Voluntary Early Separation Incentive Program

In the wake of the COVID-19 impacts VESIP allows mitigation measures and significant restructuring of government operations while impacting the least number of current city staff members

Voluntary Early Separation Incentive Program

VESIP Eligibility Criteria

- Permanent employee of the City of Santa Monica (part-time permanent staff member will receive a pro-rata share of the eligible program payout outlined below based on budgeted position)
- Be employed in a job classification that is not deemed by the City Manager to be essential to the City's foundational services or to the City's emergency response

Voluntary Early Separation Incentive Program

VESIP Incentive Offered

Eligible Tier 1 CalPERS (2.7% @ 55) staff member who has a minimum of 10 years of service with the City of Santa Monica:

- \$10,000 and 18 months of City-paid medical benefit coverage (HMO - Employee Only)

Eligible Tier 1 CalPERS (2.7% @ 55) or Tier 2 CalPERS – (2.0% @ 55) staff member who has a minimum of 5 years of service with the City of Santa Monica

- \$5,000 and 18 months of City-paid medical benefit coverage (HMO -Employee Only)

(Note: medical benefit will be with same provider as staff member current election and VESIP recipient will be able to pay the difference between VESIP benefit and current benefit election or downsize benefit election)

Voluntary Early Separation Incentive Program

VESIP Process

- No later than Friday, April 17, 2020 eligible staff be formally notified of the VESIP program and provided a separation agreement as well as general release and waiver (current estimate is April 15, 2020)
- By April 29, 2020 staff who wish to participate in the program notify Human Resources and provide signed separation agreement as well as general release and waiver
- May 9, 2020 VESIP participants last day of employment with the City of Santa Monica

Voluntary Early Separation Incentive Program

VESIP Financial Impacts

- Costs depend on how many city staff members avail themselves of the VESIP
- General Fund = \$1,800,000 for General Fund staff members
- Other funds would need to cover any amounts necessary for the VESIP for employees whose salaries are paid from those funds

Recommendations

Staff recommends that Council:

1. Authorize the City Manager to implement a Voluntary Early Separation Incentive Program (VESIP) for eligible employees and
2. Direct staff to report back no later than May 5, 2020 Council meeting with a proposed plan for restructuring City operations and balancing the City budget to address impacts from the novel coronavirus (“COVID-19”) public health emergency